



*time hoping these few times may
all well we received your let*

Retirement

The concept . . . TIMELESS

The experience . . . UNIQUE

Missouri State Employees' Retirement System
A Component Unit of the State of Missouri
Summary Annual Financial Report
Fiscal Year Ended June 30, 2013


WE ARE HERE FOR YOUR BENEFIT.

Although ideas about retirement continue to change, the concept of future financial security remains timeless. MOSERS remains well funded, focused on the security of promised benefits, and intent on delivering a unique experience to each and every member we have the pleasure of serving.

Mission

MOSERS exists to advance the financial security of its members.

Vision

We endeavor to:

Exceed customer expectations

Educate stakeholders

Ensure sound investment practices

Encourage responsible

funding of the plan

through a commitment to

EXCELLENCE ALWAYS.

Values

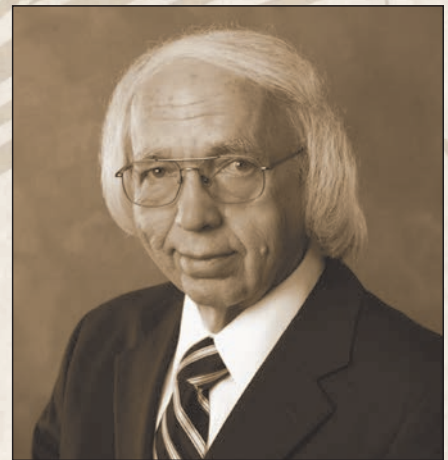
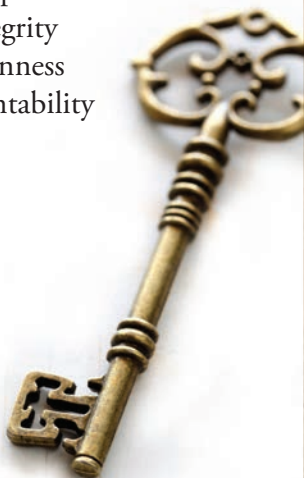
Quality

Respect

Integrity

Openness

Accountability



In the public retirement fund universe, change at a rapid pace has been the norm rather than the exception. In order to manage this change, it is important to prepare for and execute plans that will help us sustain success into the future. Measuring performance and results is also a large part of managing change and has served us well in our commitment to quality service in a cost-effective manner for our stakeholders. Setting the bar high and raising it on an ongoing basis is ingrained within the MOSERS culture. The primary purpose of this report is to look at a point-in-time snapshot of the last fiscal year as it provides useful measurements of how we got to where we are. It is important, however, to not only understand where we are and how we got here, but also our purpose in doing so. At MOSERS, our mission highlights this purpose: "MOSERS exists to advance the financial security of its members."

Gary Findlay
Executive Director

This *Summary Annual Financial Report* is derived from the information contained in *MOSERS' Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' financial statements are produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at www.mosers.org. To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.



Missouri State Employees' Retirement System

Mailing Address: PO Box 209, Jefferson City, MO 65102-0209
Phone: (573) 632-6100 • (800) 827-1063 | Fax: (573) 632-6103
MO Relay: 7-1-1 (Voice) • (800) 735-2966 (TTY)
Website: www.mosers.org | Email: mosers@mosers.org

Visit us at 907 Wildwood Drive, Jefferson City, MO

October 15, 2013

Dear Members:

On behalf of the board of trustees, I am pleased to present the *MOSERS Summary Annual Financial Report* for the fiscal year ended June 30, 2013. This report provides information on the financial status of your retirement system.

MOSERS' investments generated a return of 10.4%, or approximately \$780 million, net of fees, for FY13. The total fund return exceeded its policy benchmark by 2.2%, adding nearly \$165 million more than if the portfolio had been invested passively in the same asset allocation mix.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through the Cost-Effectiveness Measurement, Inc. (CEM) pension administration benchmarking analysis. CEM evaluated 61 leading pension systems, including systems in the U.S., Canada, Australia, the Netherlands, and Denmark. MOSERS' peer group included 11 U.S. public pension plans that are identified as our most relevant peer group based on membership size and system assets. This year, the CEM results indicated that MOSERS' service ranked number one again in our peer group with lower than average costs and was ranked the second highest in CEM's global universe of 61 plans.

I'm pleased to report that the Executive Director of MOSERS, Gary Findlay, was the recipient of the 2012 Institutional Investor's Money Management Letter Lifetime Achievement Award. This *Institutional Investor News* award is considered to be the standard setter for excellence in the financial services industry. In the 18 years since Mr. Findlay became director of MOSERS, the fund's assets have compounded at an annualized rate of 9% net of fees, outperforming the fund's benchmark by 1.2% annually, and placing MOSERS' performance among the very best. Information regarding this prestigious award can be accessed on MOSERS' website. Also last fall *aiCIO*, an investor publication by Asset International, presented their list of the 100 most influential chief investment officers (CIOs) in the world. That listing included 19 public retirement fund CIOs in the United States. Our CIO, Rick Dahl, ranked 27th in total and 4th among the other U.S. public fund CIOs selected. He was the most mentioned by his peers as deserving the recognition.

The board experienced some turnover this year. On behalf of the board and staff, I would like to thank Marty Drewel for his hard work and contributions while serving as a trustee to the system. Trustees devote many hours in fulfilling their fiduciary duties and serve with no remuneration.

I wish to thank the board of trustees for their contributions this year and to MOSERS' staff for maintaining the high level of expertise and professionalism required in the pursuit of excellence in all of the activities in which we are involved. Lastly, I wish to express my gratitude to you, our members, for continuing your public service during these difficult budgetary times. Your dedication and commitment to providing services to Missouri citizens is greatly appreciated. Both the board of trustees and staff look forward to serving your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, Missouri 65102 or call (800) 827-1063. Our website can also be visited at www.mosers.org.

Sincerely,

Antwaun Smith, Chair
Board of Trustees

Plan Net Assets

Due to recent changes in accounting rules, what was called “Net Assets” in previous years is now called “Net Position” in the 2013 financial statements.

The *Summary Comparative Statements of Fiduciary Net Position* shows a snapshot of what MOSERS owns and owes at the end of the fiscal year.

Pension Trust Funds — Summary Comparative Statements of Fiduciary Net Position

	As of June 30, 2013	As of June 30, 2012	Amount of Change	Percentage Change
Cash and short-term investments	\$1,202,548,184	\$ 891,202,655	\$311,345,529	34.94%
Receivables	46,416,125	59,162,673	(12,746,548)	(21.54)
Investments	6,922,334,141	6,757,240,840	165,093,301	2.44
Invested securities lending collateral	461,766,766	692,476,483	(230,709,717)	(33.32)
Capital assets	3,554,938	3,064,311	490,627	16.01
Other assets	105,201	41,772	63,429	151.85
Total assets	8,636,725,355	8,403,188,734	233,536,621	2.78
Administrative expense payable	2,337,560	1,674,515	663,045	39.60
Investment purchase payable	11,485,382	12,932,642	(1,447,260)	(11.19)
Investment income payable	49,527,001	0	49,527,001	100.00
Securities lending collateral	454,384,699	690,440,025	(236,055,326)	(34.19)
Other liabilities	11,934,319	16,421,986	(4,487,667)	(27.33)
MOSERS investment portfolio liability (MIP)	2,015,286	0	2,015,286	100.00
Total liabilities	531,684,247	721,469,168	(189,784,921)	(26.31)
Net positions held in trust for pension benefits	\$8,105,041,108	\$7,681,719,566	\$423,321,542	5.51

The *Summary Comparative Statements of Changes in Fiduciary Net Position* shows financial activity occurring during the fiscal year and summarize the flow of money in and out of the fund during the year.

The primary uses of MOSERS’ assets include the payment of promised benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the system.

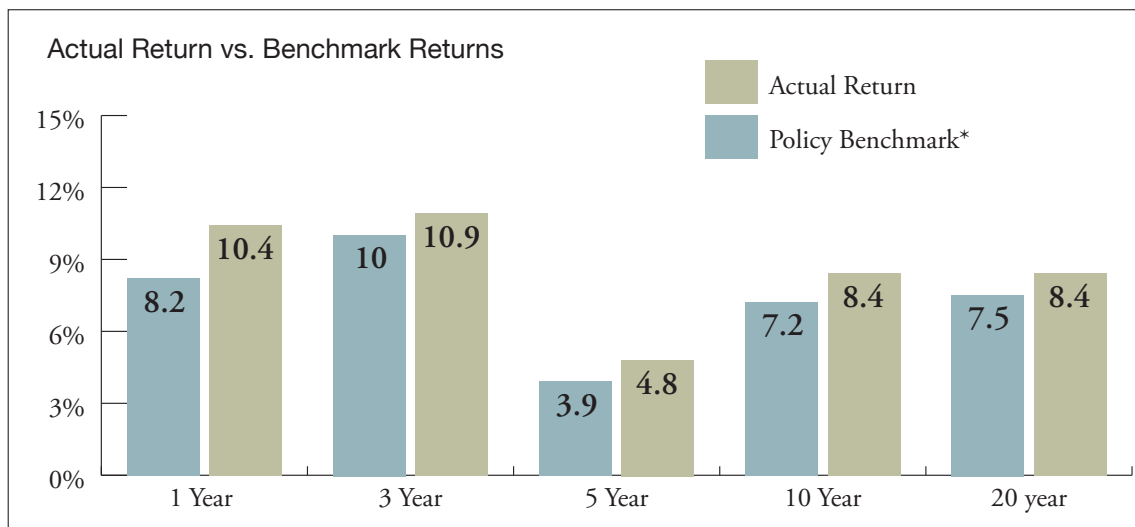
Pension Trust Funds — Summary Comparative Statements of Changes in Fiduciary Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Amount of Change	Percentage Change
Contributions	\$ 318,818,502	\$ 300,348,132	\$ 18,470,370	6.15%
Investment income - investing activities	787,712,220	158,626,338	629,085,882	396.58
Investment income - securities lending activities	1,020,380	1,537,701	(517,321)	(33.64)
Miscellaneous income	495,936	454,312	41,624	9.16
Total additions	1,108,047,038	460,966,483	647,080,555	140.37
Benefits	674,511,179	638,343,863	36,167,316	5.67
Service transfers and refunds	2,534,006	711,889	1,822,117	255.96
Administrative expenses	7,680,311	7,108,571	571,740	8.04
Total deductions	684,725,496	646,164,323	38,561,173	5.97
Net increase (decrease)	423,321,542	(185,197,840)	608,519,382	328.58
Net position beginning of year	7,681,719,566	7,866,917,406	(185,197,840)	(2.35)
Net positions held in trust for pension benefits	\$8,105,041,108	\$7,681,719,566	\$423,321,542	5.51

Investment Return

As of June 30, 2013, the MOSERS investment fund had total assets of \$8.1 billion. The investment portfolio generated approximately \$780 million in net earnings during the year representing a one-year investment return of 10.4%.

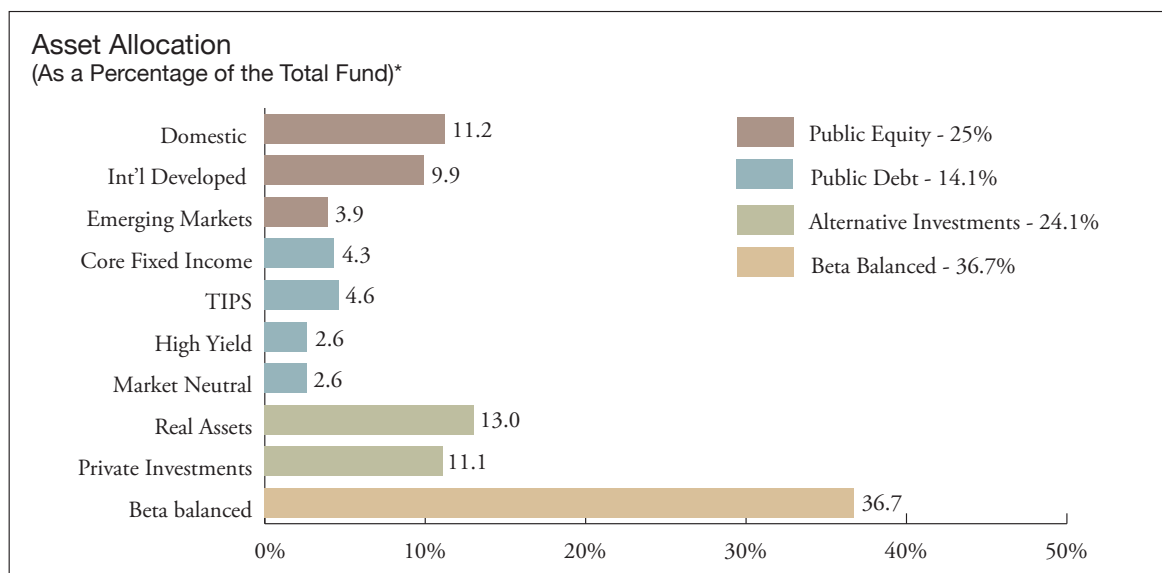
Comparison of the total investment fund return to a policy benchmark is one means of evaluating MOSERS' actual investment performance compared to the financial markets. The total fund 1-year performance exceeded the policy benchmark by 2.2%, with the actual 3-, 5-, 10-, and 20-year returns also exceeding the policy benchmark as reflected in the *Actual Returns vs. Benchmark Returns* chart.



* As of 6/30/13, the policy benchmark was comprised of the following components: 24.4% total public equity policy benchmark, 16.2% total public debt policy benchmark, 22.7% total alternative investments policy benchmark, and 36.7% total beta balanced.

Investment Risk

Market volatility is what investors traditionally consider to be the risk of investing. To protect against this risk, the MOSERS investment portfolio is diversified across a myriad of asset classes and investment strategies to mitigate the potential impact of negative economic circumstances. The *Asset Allocation* chart reflects the actual percentage of the total investment portfolio by specific asset class at June 30, 2013. This asset allocation is built on the belief that diversification is critical in achieving consistent, high, long-term, risk-adjusted investment returns.



* Actual allocation does not include 0.1% cash.

Retirement Funding

Your retirement benefits are funded by contributions from the state of Missouri and by investment income (and by your contributions, if you are a member of the MSEP 2011 or the Judicial Plan 2011). In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (blue/grey bar) relative to the value of the liabilities (brown bar). The percentages shown in the bar chart indicate the extent to which the system was funded as of a given year.

The state must contribute the annually required contribution that, when combined with present assets and future investment returns, will be sufficient to meet the present and future financial obligations of the retirement system.

Through a history of reasonable benefit levels, mandatory participation, actuarially determined employer contributions, and professionally managed investments, MOSERS continues to be financially sound.

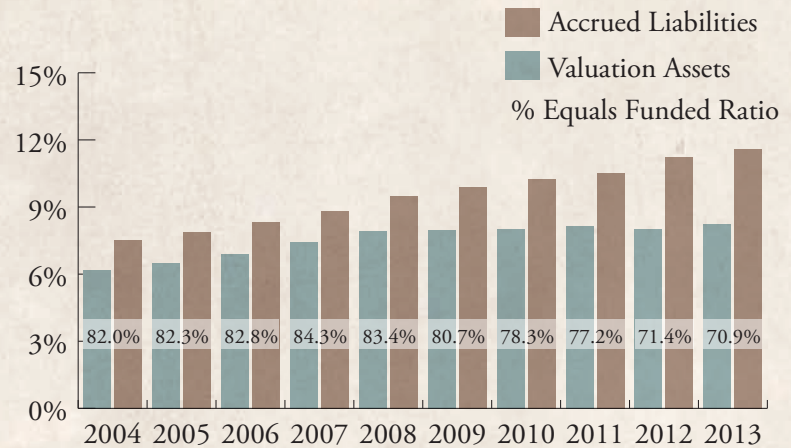


\$15,071

*Average Benefit for Members
Retiring from the MSEP*

Valuation Assets as Percent of Pension Liabilities

All Plans Combined



Member Data

Active and Retired Members

June 30, 2013	MSEP*	Judicial Plan
Active Members		
Average age	45.8	56.7
Average years of service	11.3	12.5
Average annual salary	\$36,988	\$121,744
Retired Members		
Average age	69.4	75.4
Average annual benefit	\$15,071	\$57,118
Total Membership		
Active	50,833	400
Terminated-vested	18,550	31
Retired	39,139	497

* Includes members in both the MSEP and the MSEP 2000.

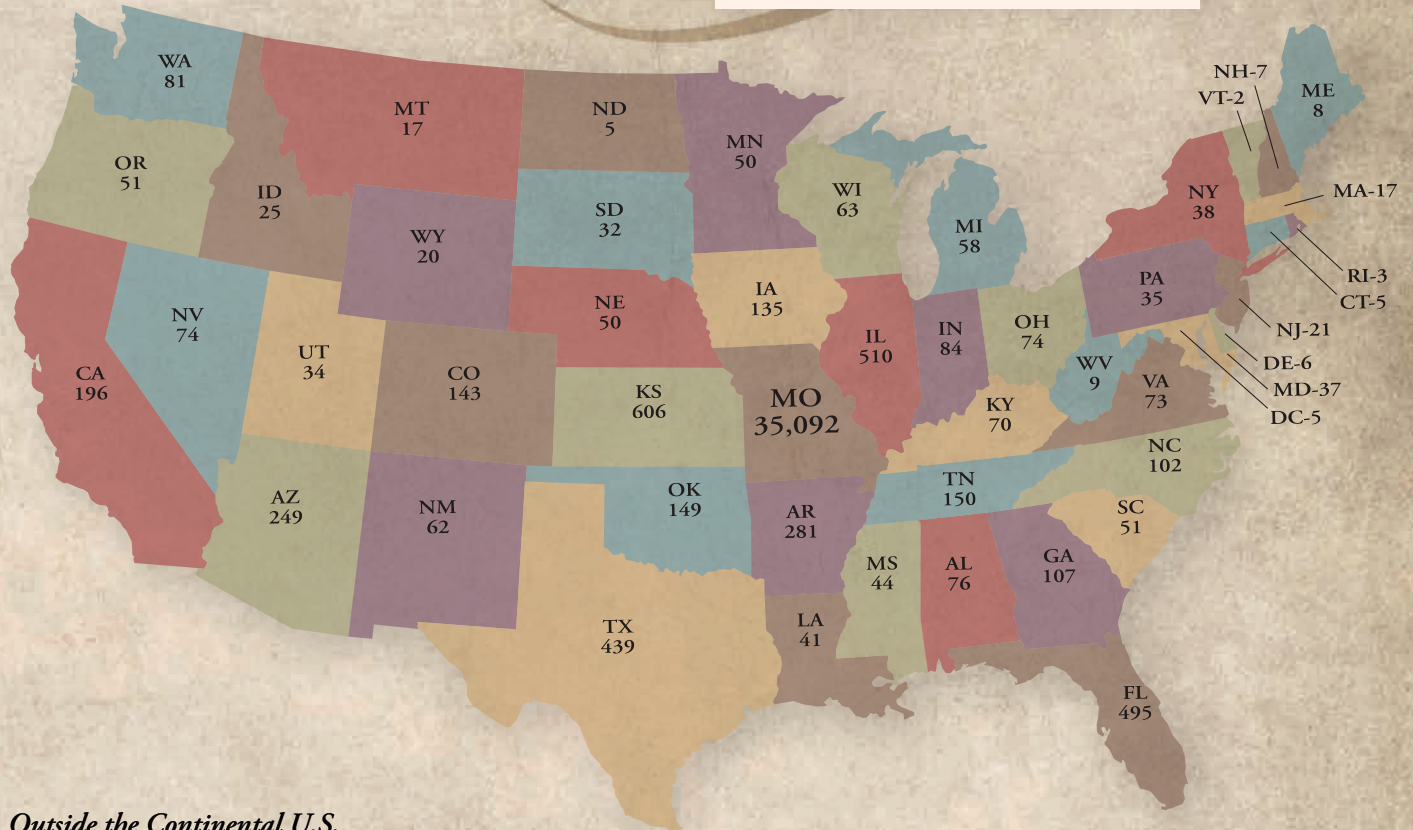
Members Retired During Fiscal Year Ended June 30, 2013

Years Credited Service by Category	Average Monthly Benefit	Average Final Average Salary	Number of retirees
<5	\$251	\$3,744	5
5-10	326	2,665	600
10-15	518	2,583	557
15-20	753	2,814	386
20-25	1,234	3,295	437
25-30	1,697	3,637	388
30+	1,995	3,645	203
All Members*	923	3,002	2,576

* Includes members in both the MSEP and the MSEP 2000.

\$674,511,179
*Pension Benefits Distributed
 During FY13*

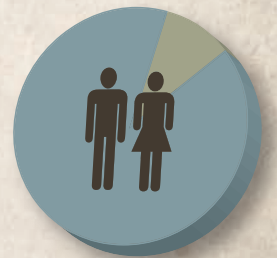
Benefit Recipients by Location



Outside the Continental U.S.

12 Alaska	3 Mexico
8 Hawaii	1 Marshall Islands
5 APO	1 Nigeria
1 Argentina	1 P. R. China
2 Australia	1 Panama
11 Canada	1 Philippines
1 Colombia, SA	1 Puerto Rico
1 Costa Rica	1 Spain
1 Germany	1 Sri Lanka
1 Guam	1 Sweden
2 India	1 Thailand
2 Ireland	1 The Netherlands
2 Israel	1 United Arab Emirates
2 Italy	3 United Kingdom

*Nearly 90% (35,092)
 of Retirees & Beneficiaries
 live in Missouri*



Pension benefits serve as a stimulus for our state economy. The annual pension benefits paid to MOSERS retirees provide a steady, continuous, and significant stimulus to Missouri's state and local economies. Nearly 90% of state retirees remain in Missouri after retirement. More than \$600 million annually flows from the system into households of more than 35,000 retirees and beneficiaries who buy goods and services in this state.




Facts About Your Defined Benefit Pension Plan


- Traditional defined benefit pension plans are the most economical way to provide reliable retirement security.
- Your defined benefit pension plan helps the state to recruit and retain qualified employees who provide vital public services.
- The state has consistently paid the annually required contributions to fund the plan on your behalf. (The state's contribution to MOSERS amounts to 1.13% of the total state budget.)
- The major source of revenue for MOSERS is investment earnings. During the 20-year period ended June 30, 2013, investment earnings accounted for more than two-thirds of MOSERS' revenues.
- Your defined benefit plan has a significant economic impact in Missouri. Nearly 90% of MOSERS' retirees and their survivors stay in Missouri supporting their local and state economy.

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2012.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.



2012


GOVERNMENT FINANCE OFFICERS ASSOCIATION

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to
**Missouri State
Employees' Retirement System**

Jeffrey R. Chase
Executive Director / CEO

Contact Information

Mailing Address: PO Box 209 • Jefferson City, MO 65102-0209
Office Location: 907 Wildwood Drive • Jefferson City, MO 65109
Phone: (573) 632-6100 • (800) 827-1063
Fax: (573) 632-6103 | **Email:** mosers@mosers.org
MO Relay: 7-1-1 (voice) • (800) 735-2966 (TTY)